

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 PA-01 SP-02 SS-15 TRSE-00 OMB-01
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O R 251432Z AUG 78
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COMICEDEFOR KEFLAVIK IC
CINCLANT NORFOLK VA
CINCEUR VAIHINGEN GE

C O N F I D E N T I A L REYKJAVIK 1123

E.O. 11652: GDS
TAGS: PINT, IC
SUBJECT: PROGRESSIVE PARTY ASKED TO FORM GOVERNMENT

REF: (A) REYKJAVIK 1117 DTG 241956Z AUG 78;
(B) REYKJAVIK 1112 DTG 241442Z AUG 78

1. BEGIN UNCLASSIFIED: PROGRESSIVE PARTY (PP) CHAIRMAN
OLAFUR JOHANNESSEN MET WITH PRESIENT ELDJARN MORNING
AUGUST 25 AND, AS EXPECTED, RECEIVED MANDATE TO FORM
MAJORITY GOVERNMENT SINCE LEADERS OF SOCIAL DEMOCRATIC
PARTY (SDP), INDEPENDENCE PARTY (IP), AND PEOPLE'S
ALLIANCE (PA) HAVE EACH FAILED TO BUILD COALITION WHICH
WOULD HAVE MAJORITY BACKING IN ALTHING. JOHANNESSEN
EXPRESSED INTENTION TO RECONSTITUTE THREE-PARTY TALKS
AMONG PP, SDP, AND PA IN HOPE OF REACHING AGREEMENT WHICH
HAS ELUDED SDP AND, MOST RECENTLY, PA.

2. CHAIRMEN OF THREE PARTIES I LEFT-OF-CENTER COALITION
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TALKS AGREED THAT THEY ALREADY HAVE GOOD WORKING BASIS FOR
SUCH GOVERNMENT. THEY HAVE ALL EXPRESSED OPTIMISM OVER
POSSIBILITY OF FORMING THIS GOVERNMENT. JOHANNESSEN
ANNOUNCED THAT HE HOPED NEGOTIATIONS COULD RESUME AFTERNOON
AUGUST 25.

3. PA HAS BITTERLY CHARGED NATO WITH INTERFERENCE IN

ICELAND'S DOMESTIC AFFAIRS (REF B). IN INTERVIEW, JOSEPPSON SAID IT WAS NATO'S VERY GREAT INFLUENCE THAT PREVENTED AGREEMENT ALLOWING PA TO HAVE PRIME MINISTRY IN NEW COALITION. ANOTHER PA PARTY LEADER CALLED NATO THREAT TO COUNTRY'S INDEPENDENCE AND FORMER PA CHAIRMAN CHARGED THAT ICELAND HAS BECOME SATELLITE OF NATO. OTHER ARTICLES IN AUGUST 25 PA DAILY THJODVILJINN CALL ATTENTION TO SUPPOSED BIAS IN WESTERN PRESS BY TRANSLATING REUTERS DISPATCHES ON POLITICAL DEVELOPMENTS AND REPRINTING STORY IN TURKISH GUNAYDIN SAYING QTE ICELAND IN THE POWER OF COMMUNISM UNQTE. EDITORIAL SUMS UP CRITICISM SAYING USG AND NATO HAVE VOICE IN ICELANDIC POLITICS, AND THAT SDP CHAIRMAN BENEDIKT GRONDAL LISTENS TO "HIS MASTER'S VOICE". END UNCLASSIFIED.

4. EMBASSY BELIEVES THAT AGREEMENT ON NEW GOVERNMENT MAY BE CLOSE, DESPITE YESTERDAY'S BREAKDOWN IN TALKS. RIVALRY BETWEEN PA AND SDP AND PERSONAL ANIMOSITY BETWEEN THEIR CHAIRMEN MADE IT EXTREMELY DIFFICULT FOR EITHER TO ACCEPT THE LEADERSHIP OF THE OTHER IN ANY LEFT-OF-CENTER GOVERNMENT. JOHANNESSON WHO INITIALLY HAD DECLARED HIS PARTY WOULD STAY OUT OF GOVERNMENT, NOW CLEARLY "WANTS IN" AND MAY BE COMPROMISE FOR PRIME MINISTERSHIP. HOWEVER, SOME SOCIAL DEMOCRATS HAVE EXPRESSED VIEW THAT IT WOULD BE BETRAYAL OF ELECTORATE IF LEADER OF PARTY WHICH SUFFERED GREATEST LOSSES IN NATIONAL ELECTION IN JUNE AND HAD SEVERAL SCANDALS DURING PAST CONFIDENTIAL

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FEW YEARS WERE TO HEAD NEXT GOVERNMENT. SDP CHAIRMAN GRONDAL REFUSED TO SAY WHETHER PARTY COULD ACCEPT JOHANNESSON AS PRIME MINISTER. PA ON THE OTHER HAND HAS WELCOMED JOHANNESSON'S LEADERSHIP OF PROPOSED COALITION. BLAKE

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